

# TODILTO

## EXPLORATION AND DEVELOPMENT CORPORATION

G. WARNOCK  
PRESIDENT

November 11, 1991

Mr. Bob Ivey  
Contracting Officer  
Department of Energy  
P.O. Box 2567  
Grand Junction, CO 81502-2567

SUBJECT: Mining Lease AT(05-1)-ML-60.8-NM-B-1

Dear Bob:

I have your certified letter of October 25, 1991 and would reply as follows.

We both know that the description of your reasoning to attempt to increase the bond on the property is not that simple. There is now a lengthy file on the subject of the EPA demands that originated the question. That record shows there was absolutely no concern on the part of the DOE on the continuance or reclamation of the lease prior to the EPA entering the picture. Secondly, the DOE took it upon itself to make certain arrangements with the EPA without ever involving Todilto as the leaseholder including various discussions and an inspection on the property that resulted in DOE acquiescing to the closing of a viable, if inactive mine under abandoned mine criteria. You have stated unequivocally on the record that you will effect the closing of the Haystack mine no matter what and no matter the cost; ie., that you will take Todilto's only remaining asset without compensation. Including, that you will use the ruse of the increased bond to force Todilto off of the property without relieving us the trumped up environmental costs which we requested.

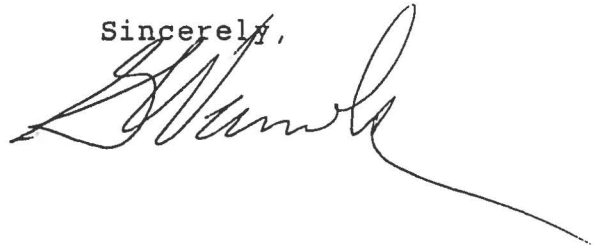
You are apparently taking this action as the easiest way out of your debate with the EPA. Particularly after I informed you that Todilto is broke, and can come up with neither an increased bond or the greatly exaggerated money to reclaim the lease, under the EPA demands. I won't bore you with our past performance on the maintenance of this property, other than to point out that it was the DOE's suggestion to Todilto to keep the lease alive and the DOE's decision to relieve the minimum royalty payment in return for our maintaining the lease in a safe condition - which we did. Assuming DOE employs will not perjure themselves, I believe they will agree with the above.

Your assertion that we now owe the DOE \$40,000 in back royalty is not factual when one considers that the DOE instigated that arrangement and automatically extended the lease in its interest.

With that said, I must refer you to my letter dated August 23, 1991 which remains Todilto's official position in this matter.

We offer, once more, to drop the lease in return for a complete release from any continuing liability. Surely, this is preferable to long protracted litigation wherein the DOE will end up paying for the reclamation anyway after Todilto's and my personal bankruptcy.

Sincerely,

A handwritten signature in dark ink, appearing to read "E. J. Munn", with a long horizontal flourish extending to the right.

GW/gbr  
DOEHAY7.LTR  
c/ Senator Pete Domenici  
R. Bornstein, EPA  
C. Freytag, DOE